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# ANALYSIS RELATIONSHIP MARKETING ORIENTATION (RMO) AND BRAND EQUITY IN B2B MARKET

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KeyWords
*Relationship Marketing Orientation, Brand Equity, trust, bonding, communication, shared value and empathy*

## ABSTRACT

Transaction based marketing has dominated the marketing world for more than four decades. With the globalization of business today, there has been a change in trend from the marketing paradigm of using marketing mix to Relationship Marketing. The focus of Relationship Marketing is to maintain a mutually beneficial relationship between sellers and buyers. The purpose of this review is to look at the relationship between Relationship Marketing Orientation (MRO) and Brand Equity. Based on the literature review, there are 3 keys to driving Relationship Marketing, namely: Brand equity, Value and Relationship Equity where brand equity has a more important role than the others because it creates competitiveness. The Relationship Marketing Orientation component has a positive effect on Brand Equity. Based on this and systematic research on industrial markets or business-to-business (B2B) markets that mostly use the concept of relationship marketing orientation. Models and hypotheses are made that the component of Relationship Marketing are trust, bonding, communication, shared values and empathy on B2B markets have a positive effect on brand equity.

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## Introductions

Relationship Marketing has changed the marketing trend from the previous focus on customer acquisition to focus on maintaining loyal customers (Taleghani et al., 2011). The focus of Relationship Marketing is to maintain relationships that provide long-term benefits between sellers and buyers (Alrubaiee and Al-Nazer, 2010). In this case, Hur et al. (2010) noted that the main purpose of relationship marketing is to improve customer value.

Rust et al. (2001) argued that there are 3 keys to driving Relationship Marketing, namely: Brand equity, Value and Relationship Equity. Based on the three drivers it is stated that brand equity is more important than the others because it has a 'strategic' role in the organization and creates competitiveness. Organizations benefit from brand equity as a tool that has the power to create sustainable competitiveness (Keller et al., 2011). So, to create relationships for organizations, organizations must prepare the necessary communication and interactive processes (Rashid, 2003). This was also said by Chang and Tseng (2005) that brand equity can improve relationships by implementing marketing strategies.

A few decades ago, new business concepts and practices have fundamentally transformed marketing. The business philosophy of a marketing orientation has changed to a relationship marketing orientation (RMO) (Gruen, 1997; Racela et al., 2007; Ferrell et al., 2010). Sweeney (2001) stated that there is a link between relationship marketing and brand identity in organizations and relationships have been scientifically tested. Considering that business profits have tended to decline in recent years and surveys indicate that one of the reasons for this is the lack of attention to relationship marketing and the key driver of brand equity, this paper is made to be considered in further research which is a review of several  journal about relationship marketing and brand equity.

## Literature Review

### 1. Relationship Marketing.

Transaction based marketing has dominated the marketing world for more than four decades. With the globalization of business today there has been a change in the trend from the paradigm of using marketing mix to Relationship Marketing (Gronroos, 1997). Zeithaml et al. (2009) in his book 'Service Marketing: Integrating Customer Focus Across the Firm', stated that relationship marketing basically represents a change in the marketing paradigm from a focus on acquisitions/transactions to a focus on retention or relationships. Relationship-oriented marketing makes the customer a partner and the company must make a long-term commitment to maintain customers with quality, service, and innovation. The relationship marketing philosophy is to conduct business and strategic orientation with a focus on maintaining and improving relationships with existing customers rather than just acquiring new customers. This philosophy assumes that many customers and business customers choose to maintain relationships with an organization rather than always switching providers to find value. Based on this thinking, it is cheaper to retain existing customers compared to attracting new customers and successful marketers are working with effective strategies for maintaining customers.

Although there are many definitions of relationship marketing, especially in terms of scope and importance, there are similar meanings put forward by many writers about relationship marketing. Gummesson (1996), said that relationship marketing is a marketing practice based on relationships, interactions, and network recognition. Ndubisi (2005) saw it from the perspective of customers called relationship-oriented marketing has a more general definition, namely marketing that aims to create, maintain and strengthen relationships with customers, so that the goal from two sides, namely transactions through mutual exchanges and supply commitments can be realized. Gummesson (2003) revealed in his writings on 'customer relationship is the Cornerstone of Marketing', specifically saying that relationship marketing is when the goal of the parties to the transaction is to want to maintain an ongoing relationship and continue to build relationships. Most definitions conveyed by experts are the general opinion that the points of relationship marketing are building long-term relationships and interacting with individuals or organizations and interest groups on the basis of effective and appropriate relationships to maintain relationships between them and customer as a very important party is considered as an asset in customer relationship marketing. According to Ndubisi (2005), Relationship marketing is an ongoing relationship with customers who are the target market, which will cause customers to buy more products and influence other customers and the basic goal is to maintain more customers and only a few customers are lost. After attracting and retaining customers, relationship marketing, as a form of change from transaction orientation to focus on building relationships emphasizes customer service, excellent customer service and a commitment to quality that is very relevant to everyone. This can be done by understanding customers in the organization because customers are very valuable assets that must be protected (Ndubisi, 2005).

Relationship marketing research continues to grow, and Maxim (2009) in his research on Relationship Marketing positions emphasized that Relationship Marketing is a new paradigm in Marketing Thinking, where this paradigm represents a new dimension that adds to the previous marketing paradigm based only on transactions. Maxim (2009) also analyzed that the paradigm shift is supported by the companies he studies and concludes that there is an understanding that relationships and interactions are part of human society and follows business practices since the start of the business so that the supremacy of the transactional approach has changed which causes within the scope of relationship marketing a theory applies where several situations are always present in economic life. In the early 1990s when the concept of Relationship Marketing emerged, Gronroos (1994) made a comparison between transaction marketing and relationship marketing as illustrated in Table 1.

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**Table 1 Comparison between transaction marketing and relationship marketing (Gronroos, 1994)**

| **Strategy** | **Transaction-oriented Marketing** | **Relationship-oriented Marketing** |
|---|---|---|
| Time Perspective | Short-term | Long-term |
| Marketing function domination | Marketing-mix | *Interactive Marketing* (supported by *marketing mix activities*) |
| Price Elasticity | Customer sensitivity to higher prices | Customer sensitivity to lower prices |
| Quality dimension domination | Output dominated by product quality (technical quality dimension) | Output dominated by interaction quality (function quality dimension) |
| Customer satisfaction measurement | Market Share Monitoring (indirect approach) | Customer Management (direct approach) |
| Customer Information System | Customer satisfaction survey (Ad-hock) | Customer feedback system (real time) |
| Dependency between marketing, operations, personnel | Intercept at strategic interests limitations | Intercept at substantial strategic interests |
| The Role of Internal Marketing | Internal Marketing has limitations to succeed | Internal marketing has substantial importance to succeed |

Many companies understand that their long-term competitiveness is highly dependent on customer retention conditions. In order to achieve this, ways are needed to change customer perceptions by implementing bilateral communication with customers to win customer trust by treating customers as partners who can contribute to value creation. Marketing must also be involved in company-wide pre-occupation rather than isolating it as a specialized department. Relationship Marketing will become the dominant paradigm and Transaction Marketing will be abandoned (Gronroos, 2004). Wang (2009) stated that with trends and advancements in technological development, relationship marketing is a popular and very important concept because relationship marketing not only provides different product lines for customers of different types but also has long-term relationships that is stable with customers to obtain long-term value from customers (customer's lifetime value).

The concept of Relationship Marketing has actually been put forward since the 60s, previously known as industrial marketing primarily in industries in northern Europe. At that time there were not many transactions in the industrial and commercial markets and both the seller and buyer had sufficient knowledge about the product. Therefore, the focus is not only on the product but on the interaction between two parties. Many sellers and buyers then sign contracts to maintain their long-term relationships so they can keep each other alive together (Gronroos, 1994). Relationship Marketing terminology was first proposed by Berry in 1983. He believed that relationship marketing will attract customers, retain customers and develop relationships. According to Berry (1983), attracting new customers is only one part of the marketing process. However, in the marketing process, more emphasis is placed on strengthening customer relationships, turning different customers into loyal customers and making customers feel like they are at home when they are or in contact with us.

## 2. Relationship Marketing in the B2B Market.

Research on Relationship Marketing in the B2B market was first carried out by Adler in 1966 when he introduced the concept of 'symbiotic marketing'. At this point of view, improving marketing efficiency and effectiveness is a function of the sharing of resources between organizations (through licensing, franchising, joint ventures, etc.) in the supply chain. Arndt (1979) then expanded the concept of 'symbiotic marketing' by introducing the idea of 'domesticated markets' where he strengthened long-term relationships not only with suppliers or other companies but also with key customers. Then, the Industrial Marketing and Purchasing (IMP) group was introduced and became a series of systematic research efforts in the industrial market or business-to-business (B2B) market. The flow of this research is that as sellers and buyers, both parties have gained experience in working between themselves and learn to interact with each other by the way they work, they are committed to each other to improve relationships over time (Ford, 1980). Hakansson (1982) introduced what he later considers to be the four foundations of relationship marketing: interaction process, networking, adaptation to scale-effective production and the use of appropriate resources (proper resources) utilization by partner companies.

Hallen et al. (1991) explored the issue of inter-firm adaptation and concluded that interplay helps to build a position of better competitiveness through stronger customer and supplier relationships. Anderson et al. (1994) emphasized the interelation of relationships in the case of 'dyadic relationship' is crucial in business networks. Bensaou and Venkatramant (1995) have discussed the form of relations between organizations based on the exchange of information between two parties as a match between the needs of the information process (environment, relationships, etc.) with its capabilities (IT, processes, etc.). This view focuses primarily on business relationships in the B2B context.

**3. The Components of Relationship Marketing Orientation (RMO).** According to Sin et al. (2005), a component of Relationship Marketing Orientation, namely: trust, bonding, communication, shared value, empathy, and reciprocity. In this paper, 5 components are explained as follows:

*3.1 Trust*

Trust is a key component for business relationships and is a central variable for long-term transactions. Trust has been studied as a key structure in the relationship marketing model. Trust between buyers and sellers determines greater efficiency and long-term relationships (Sin et al., 2005).

*3.2 Bonding*

Another component of the RMO is commercial communication that is built between buyers and sellers and plays a very important role in achieving goals. The existence of this component in relationship marketing determines the development and improvement of customer loyalty and directly creates a sense of belonging and indirectly the sense of belonging to the organization. Research shows a very strong relationship between buyers and sellers in making commitments to maintain mutual relations (Sin et al., 2005).

*3.3 Communication*

Communication consists of formal and informal interactions that create a significant exchange of information between buyers and sellers. Communication plays an important role in building trust. Morgan and Hunt (1994) have conducted research to create a positive impact and informal communication between retailers and vendor commitments shown in the automobile industry (Sin et al., 2005). In Relationship Marketing, communication is everything, because all elements are connected because of communication. Communication, especially timely communication, strengthens trust because it solves problems and meets expectations (Rashid, 2003).

*3.4 Shared values*

Shared values are general beliefs in terms of behavior towards the objective of the policy, including among others, in seeing things as important or unimportant, possible or not or true or false. Objectives and share values will make a better commitment to building relationships (Sin et al., 2005).

*3.5 Empathy*

The relationship marketing component is also followed by an attitude that guarantees the relationship situation to be better viewed from another perspective. Empathy is understood as the needs and goals of a relationship from the perspective of these other perspectives. Empathy is needed to strengthen the relationship between the parties to the transaction (Sin et al., 2005).

**4. Brand Equity.**

Brand Equity is the values, assets, capital, and perceptions about the product, service or idea that makes the product, service or idea will be promoted by consumers. Brand equity obligations refer to obligations associated with these products, services or ideas (Yadin, 2002). The marketing science institute, defines brand equity as a set of associations and behaviors on the part of the customer's brand, channel members and the parent company, the brand allows a greater amount of income or profit margin than in condition with no brand, and this would have a strong advantage, sustainable and distinctive against competitors (Gordon, 2002). Brand equity, increasing benefit and added value to a product by its brand names such as Coca-Cola, Kodak and Nike (Farquhar et al., 1991). From the perspective of customer-centric, Keller defined brand equity as a distinctive effect that brand knowledge has on consumer response to the brand marketing. Based on the amount of brand equity, Aaker, academic leaders in brand management, conceptualize as a set of assets and liabilities linked to a brand, its name and symbol which added or reduced the value that is provided by product or service for the company or customers and ultimately brand equity is value added, granted on products or services.

Brand equity may appear in the way customers think, feel and act toward the brand, as in prices, market share and profitability, have delivered the brand for the company (Kotler and Keller, 2008). Brand equity is a collection of assets and liabilities that are associated with the name and symbol and added or subtracted the value that is created by a product or service for enterprise customers. The assets and liabilities that are formed based on the brand equity differs from one context to another. The main assets include brand awareness, brand loyalty, perceived quality, brand associations (Aaker, 1996).

**4.1. Brand Identity and Brand Loyalty**

Dehdashti et al. (2012) investigate a research based on view point of brand identity and its impact on the development of brand loyalty in the company's Caleh. The findings suggest a positive effect on brand loyalty and brand identity and the relationship between these two. Brand with strong identity origin leads to the formation of long-term relationships between customer and company and also results in customer loyalty. Romero et al. (2014) in a study titled Evaluation of relationship marketing on customer loyalty concluded that there is a significant relationship between relationship marketing and customer loyalty. In a study of the impact of marketing mix on brand equity came to the conclusion that the loyalty to the brand has the highest added value from the other dimensions of brand equity and loyalty of the customer must be a priority for companies and organizations.

**4.2. Brand Identity, Brand Personality and Brand Loyalty**

Macmillan et al. (2005) examined the impact of psychological processes of brand identity and brand personality on brand loyalty. The research in terms of purpose is applied and in terms of method is surveyed. The results show that the unique features makes the consumer goods brands by it, are detected and thereby increase their perceived value. Following this process, consumer trust, followed by his loyalty to the brand increases. In this process, mediating role in influencing brand personality brand identity is very important.

**4.3. Relationship Marketing and Loyalty**

Romero et al. (2014) in a study investigate the effect of relationship on their customer loyalty and purchase. In this study, relationship marketing aspects included: Customer satisfaction, customer commitment and customer trust. The results of this study showed that the customer experience, satisfaction, commitment and trust plays an important role build customer loyalty and improve and enhance the company's intention to buy their products.

**4.4. Relationship Marketing and Brand Equity**

Hur et al. (2010), examined the role of brand identity management on brand performance and customer satisfaction with the mediating role of employee engagement. The study included 5 brand identity management: the focus on employee and customer, the visual identity, brand personality, compatible communications and human resources initiative. The results showed that organizations should pay more attention on managing their brand identity. Because this will increase the employee commitment to the organization and thus will have a positive impact on brand performance and customer satisfaction. Aaker (1996) in study which investigate the impact of relationship marketing orientation on the brand equity on Sri Lanka banks, conclude that relationship marketing orientation has and positive impact on brand equity in the banks. This finding suggests that the relationship marketing orientation in banks to keep adds the name of their brand value.

In addition, relationship marketing orientation helps to attract customers with optimal brand experience that decrease the possibility to use the rival banks. In short, relationship marketing orientation have significant effects on brand equity in the banks. In particular, the trust of major dimensions that affect brand equity, while communication, shared values and cooperation and advance have positive effects on improving brand equity in the banks. Also, relationship marketing approach adopted by banks helps in the formation of identity for their brand name in the minds of customers, as a result, banks can maintain their competitive position in the banking industry. In addition, relationship marketing orientation helps to attract customers with optimal brand experience that decrease the possibility to use the rival banks. In particular the trust of major dimensions that affect brand equity, while communication, shared values and cooperation and advance have positive effects on improving brand equity in the banks. Hau et al. (2012) in their study concluded that in service organizations such as banks, trust is essential because in granting services, trust takes precedence over experience.

**4.5. Bonding and Trust**

In a study entitled "Factors affecting the improvement of services in service organizations", Grönroos, (2004) results showed that bonding, in reviewing cases where customers have doubts, helpful and create trust and communication between the customer and the service provider is effective.

**4.6. Bonding and Loyalty**

Chiu et al. (2014) in a study to explain the relationship between bonding, customer value and customer loyalty in the three groups of customers (existing customers, unhappy customers that their buying behavior have changed and satisfied customers that their buying behavior have changed) engaged in the banking industry. Results for each of these three groups of customers was as follows: For existing customers, the three types of links (financial, social and structural) to improve customer satisfaction and loyalty, ultimately improving them. Burmann et al. (2009) in a study entitled Effect of brand equity and brand on the continuation and communication preferences of customers in the banking industry concluded that the willingness of customers to accept banking services greatly influences brand equity and brand the and with regard to the acre can be said that banks to increase brand equity and brand themselves must first seek loyal their customers and banks can increase the amount of facilities or improve their services to gain customers loyalty.

**Conceptual Model and Research Hypotheses**

Conceptual model based on the obove literature review is proposed as Figure 1. Given the conceptual model, it is clear that the changing relationship marketing (which includes elements of trust, bonding, communication, shared values and empathy) is independent variable and brand equity in this study is as dependent variable. After these review the following assumptions can be made. In this study, a main hypothesis is proposed :

1. Trust has a positive impact on brand equity.
2. Bonding has a positive impact on brand equity.
3. Communication has a positive impact on brand equity.
4. Shared values has a positive impact on brand equity.
5. Empathy has a positive impact on brand equity.

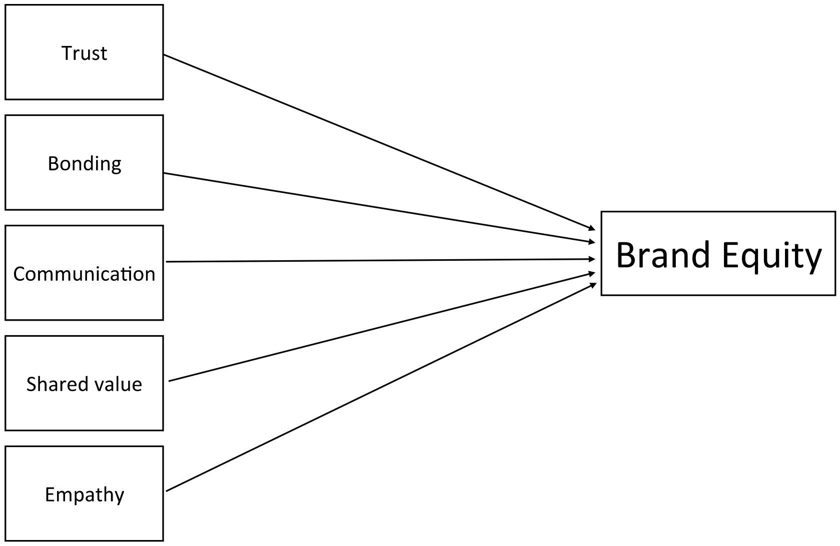


Figure 1. Proposed Conceptual model: The impact of relationship marketing orientation on brand equity

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